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2024

# CYPRUS TAX FACTS

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TAX SOLUTIONS

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## CYPRUS TAX FACTS 2024

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## CYPRUS TAX FACTS 2024

# Income Tax for Individuals

The income on which an individual will be taxed in Cyprus, is according to whether an individual is classified as a tax resident in the Republic of Cyprus or not.

A Cyprus tax resident is taxed on all of their chargeable income arising from all sources inside and outside of the Republic. While a non-Cyprus tax resident is taxed only on the income arising from inside the Republic.

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## Cyprus Tax Residency and how it is determined:

Below are two guideline rules that can be used, in order to distinguish and understand when an individual qualifies as a Cyprus tax resident for a specific year:

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### The 183 days rule:

If an individual resides in Cyprus for more than 183 days during a tax year, then this individual can qualify as a Cyprus tax resident for that tax year;

## The 60 days rule:

An individual can also qualify as a tax resident under the 60 days rule. Conditions are listed below:

1. An individual does not reside more than 183 days, either continuously or in total, of that tax year in another country and is not a tax resident in another country for that year;
2. An individual spends at least 60 days in Cyprus during that year;
3. An individual carries out a business and/or is working in Cyprus, and/or holds an office with a Cyprus tax resident company any time during that year, provided that employment/business/holding an office, is not terminated during the tax year;
4. The individual either owns or rents a permanent residence in Cyprus for that year;

## How to calculate days spent in Cyprus:

- The day of departure is counted as a day outside of Cyprus;
- The day of arrival is counted as a day inside Cyprus;
- Arrival and departure from Cyprus on the same day is counted as a day in Cyprus;
- Departure and arrival in Cyprus on the same day is counted as a day outside of Cyprus;

## Personal income tax rates can be seen in the table below:

Chargeable Income (€)	Tax Rates (%)
0 - 19,500	0
19,501 – 28,000	20
28,001 – 36,300	25
36,301 – 60,000	30
Over 60,000	35

All individuals with a gross income that exceeds €19,500 have an obligation to file an annual income tax return.

## Exemptions on personal income tax:

The below forms of income are exempt from personal income tax:

### Type of Income

### Exemption amount from income tax

Dividend income

**100% exempt**  
(may be subject to Special Defence Contribution)

Interest income that did not arise from the ordinary course of business activities of an individual

**100% exempt**  
(may be subject to Special Defence Contribution)

Remuneration on salaried services performed outside the Republic of Cyprus to a non-resident employer or a permanent establishment outside the Republic of a resident employer, for a period of more than 90 days

**100% exempt**

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Profits from sale of securities (See note 1)	<b>100% exempt</b>
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Capital sums paid to individuals out of life insurance policies, provident fund and pension funds	<b>100% exempt</b>
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Lump sums received by way of retiring gratuity, commutation of pension or compensation for death or injuries	<b>100% exempt</b>
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Profits of a foreign permanent establishment – under certain conditions	<b>100% exempt</b>
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Foreign exchange gains, with the exemption of FX gains that arise from trading in foreign currencies	<b>100% exempt</b>
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Capital gain from the disposal of intellectual property rights	<b>100% exempt</b>
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Gains arising from qualifying loan restructuring	<b>100% exempt</b>
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Profits from the production of films, series and other related audio-visual programs

The lower of **35% of eligible expenditure** and **50% of the taxable income**. Restriction may be carried forward for a period of 5 years

## Notes

1. Profit from the sale of securities is exempt from tax in Cyprus. Securities are defined as: Ordinary shares, founder shares, preference shares, options on shares, debentures, bonds, short position on titles to include futures, forwards, swaps and participation in companies. Such income will however be subject to General Healthcare Scheme (GHCS) at a rate of 2.65%.

# Exemptions for the remuneration from first employment:

The below forms of income are exempt from personal income tax:

## 20% exemption – Old Provision vs New Provision

**Old provision** - As per provision of article 8(21), 20% of remuneration or €8,550 (whichever is lower) is exempt on the remuneration from employment in Cyprus by an individual who was not a resident of Cyprus before. Exemption applies for a period of 5 years for employments that have commenced during or after 2012. The first tax year of exemption is the year following the year of commencement of employment. This exemption cannot be claimed in addition to the below mentioned 50% exception.

**New provision** – From the 26th of July 2022, the provisions of article 8(21) will not be applicable and the provisions of the new article 8(21A) will take place. Individuals that are currently eligible for the remuneration exemption of 20% under the provisions of article 8(21), referred to above as the old provision, are not eligible for the transitional provisions of the new law. Individuals, who meet the conditions for this exemption before its termination date, will continue to benefit for the relevant five-year period.

Under the new provision article 8(21A), the 20% exemption or €8,550 (whichever is lower) will be granted to individuals who commence first employment in Cyprus after the 26th of July 2022 and until 2027 and during the last 3 years preceding their employment, they were employed outside Cyprus by a non-Cyprus employer. Exemption will be granted for a period of 7 years. First year will be the year following the tax year of employment commencement. Individuals granted the below 50% exemption will not be eligible for this exemption.

## 50% exemption – Old Provision vs New Provision

**Old provision** - As per article 8(23), any individual commencing work in Cyprus and earning more than €100,000 annually will be exempt from 50% of their taxable income for a period of 10 years. The calculation of the period of 10 years commences from the first year of employment. This exemption is not available to individuals whose employment commenced on or after 1 January 2015 if such an individual was a Cyprus tax resident 3 out of 5 years preceding the year of commencement of employment or a Cyprus tax resident in the year preceding commencement of employment.

**New provision** - For employments commencing after 1 January 2022 the provisions of article 8(23) referred to above will not be applicable and the new provisions of article 8(23A) will commence. Individuals that are currently eligible for the provisions of the old article 8(23) will continue to claim their exemption under article 8(23) for the remaining years, unless they also qualify for the new 50% exemption of article 8(23A).

Based on the new provisions of article 8(23A), 50% employment exemption from income tax of individuals commencing first employment in Cyprus will be granted if the below conditions are met:

- Exemption will be granted in any tax year in which remuneration from employment in Cyprus exceeds the amount of €55,000, provided that during the first or second year of employment remuneration exceeded €55,000 per annum;
- Exemption will be granted if the individual was not a Cyprus tax resident for a consecutive period of 15 years prior to their employment. (This is subject to conditions since in some cases exemption may be granted to individuals who were not a Cyprus tax resident for 10 years prior to employment);
- Exemption is granted only for individuals whose employment has commenced on or after the 1st of January 2022;



- Exemption is granted for a period of 17 years commencing from the year of their Cyprus employment and once in their lifetime.

### Exemption is also available for:

- Individuals whose employment commenced before 1 January 2022, provided that the date of their first employment was between 2016-2021 and their salary was in excess of €55,000 per annum or exceeds €55,000 per annum within six months from 26 July 2022.
- Existing employees that benefited from the 50% exemption and have employment in Cyprus up to and including 2021.

## Tax credit for foreign tax paid:

Any foreign tax that was paid on income that will be subject to income tax in Cyprus can be claimed against tax payable on this income, irrespectively of the presence of a tax treaty. Tax credit can be obtained assuming appropriate evidence and receipts of payment are provided. The tax credit can reduce Cyprus tax to zero, however it cannot create a refund.

## Deductions on personal income tax:

The below forms of expenses are allowed as deductions from personal income tax:

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### Type of Expense

### Deductions

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Expenses incurred wholly and exclusively for the production of income

**100% deductible**

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Subscriptions to trade unions and professional bodies

**100% deductible**

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Rental Expense	<b>20% deductible</b>
Interest as to the purchase of property for rental purposes	<b>100% deductible</b>
Interest relating to the acquisition of assets that would be used in the business	<b>100% deductible</b>
Donations made to approved charities	<b>100% deductible</b>
Donations made to political parties (subject to conditions)	Up to <b>€50,000</b>
Expenditure incurred for the maintenance of a building under preservation (subject to conditions)	Up to <b>€1,200, €1,100</b> or <b>€700</b> per m2 (varies according to size of building)
Social insurance, private medical fund (maximum up to 1.5% of remuneration), general health system medical fund, provident fund and pension fund (maximum 10% of remuneration) and life insurance premium (max 7% of insured amount)	Total deduction of the expenses referred to in the left column must <b>not exceed 1/5 of the chargeable income</b> before the deduction of these allowances
Wear and tear allowances on assets that are used for business purposes	Deductions as per <b>Wear &amp; Tear</b> table – (See page: 18-19)
Entertainment expenses for business purposes	Entertainment expenses up to <b>1% of total gross income</b> or <b>€17,086</b> (whichever amount is lower) is allowable as a deduction
Cost for purchase of shares as of 01 January 2017 in an approved innovative business either directly or indirectly, subject to conditions (applicable up to 31 December 2026)	Restricted to <b>50% of the investors taxable income</b> (after deductions) of the tax year in which the expenses are incurred, or <b>€150,000 per year</b> (whichever is lower). Any restricted costs can be carried forward and utilised over the following five years, subject to conditions. Investment must be held for at least three years.

Interest expenses for purchase of shares in a wholly owned subsidiary acquired after 01/01/2012

**Deductible** as long as the **subsidiary does not hold any assets** that are **not used in the business**. If the subsidiary does hold assets that are not used for business purposes, then **deduction is allowable up to percentage of assets** that are **used for the business**

Expenditure of revenue nature for scientific research and for R&D (subject to conditions)

**100% exempt** (and for expenditure incurred in years 2022 - 2024, an additional 20% is exempt)

Tax amortisation on any expenditure of capital nature for scientific research and for R&D (subject to conditions)

**100% exempt** (and for expenditure incurred in years 2022 – 2024, an additional 20% exemption) that will be allocated over the lifetime of the asset with a maximum period of 20 years

## Non-Allowable deductions on personal income:

### Type of Expense

### Non - Deductions

Expenses not incurred wholly and exclusively for the production of income

**100% Non - deductible**

Private motor vehicle expenses

**100% Non - deductible**

Any expenses that are not followed with sufficient documentation

**100% Non - deductible**

Salaries relating to services offered within the tax year on which social insurance and other contributions have not been paid for

**100% Non - deductible**

Interest payable for acquisition of a private motor vehicle, irrespective of whether it is used in the business or not. This restriction is for seven years from date of acquisition

**100% Non - deductible**

## Loan provided to shareholder or director:

Any loans, cash facility or withdrawal provided from a Cyprus company to its Cyprus resident individual director or shareholder (including their spouse or any relative up to second degree), must be recognised as a monthly benefit on which an interest of 9% p.a. will be imposed. This benefit is included in the individual's income and is subject to income tax.

## Widows pension:

A Cyprus tax resident individual has two options when it comes to how their widow's pension will be taxed and this can be selected annually:

1. The first €19,500 of the pension will be tax free and any amount above this threshold will be taxed at a flat rate of 20%; or
2. The pension to be taxed under the normal tax bands

## Overseas pension:

Overseas pension can also be taxed under a special mode of taxation. See options below:

1. Pensions are exempt from tax up to €3,420 and any amount above that threshold is taxed at a flat rate of 5%; or
2. Be taxed under the normal individual income tax rates

## Remuneration of individuals employed in the funds industry:

The variable remuneration of employees that work in an Alternative investment Fund (AIF) or a self-managed AIF or a management company for UCITS which is connected to carried interest, can either be taxed at 8% annually with a minimum tax liability of €10,000 per annum (subject to conditions) for a 10-year period, or be taxed under the normal tax bands;

## **Income from intellectual property rights:**

Gross income from intellectual property rights, compensations etc. from sources within Cyprus, of a person who is not a tax resident and does not hold a permanent establishment in the Republic of Cyprus, is subject to withholding tax at a rate of 10% (unless tax treaty is lower);

## **Film royalties:**

Gross income received by a non-resident for royalties from a film projection in the Republic of Cyprus is subject to withholding tax at a rate of 5% (unless tax treaty is lower);

In both cases listed above (income from intellectual property rights and film royalties), if the royalties received are from a connected company that is registered in an EU Member State, then such royalties are exempt from withholding tax. This exemption is subject to conditions.

## **Profits of professionals, entertainers etc.:**

Gross income, remuneration or gross receipts received by an individual that is not a resident in the Republic for any theatrical, musical or group of entertainers (including football clubs) performances in the Republic, are subject to 10% withholding tax (unless a tax treaty is lower);

## **Income from technical assistance:**

Gross income from sources within Cyprus for technical assistance provided by a non-resident is subject to withholding tax at a rate of 10%. Such income is exempt from withholding tax if services are provided by a permanent establishment in Cyprus;

Payment of tax withheld on payments to non-residents should be made by the end of the following month to the Cyprus Tax Department. Interest and penalties will apply for any late payments made.

## CYPRUS TAX FACTS 2024

# Corporation Tax

A company falls under the definition of a Cyprus tax resident company if its control and management is in Cyprus. As of 2023, the Cyprus government has agreed that any company that is incorporated or registered in Cyprus will by default be treated as a Cyprus tax resident company, provided it is not a tax resident in any other jurisdiction.

A Cyprus tax resident company is taxed on its income accrued and derived from all sources both within and outside the Republic of Cyprus.

On the contrary, a non-Cyprus tax resident company will be taxed on its income accrued and derived only on its sources within the Republic of Cyprus.

**Corporation tax rate – 12.5%**

## Exemptions from Corporation tax:

### Type of Income

### Exemption from Corporation

Dividend income

**100% exempt** – Such income may be subject to Special Contribution for Defence

Any interest income that does not arise from the ordinary business activity of the company

**100% exempt** – Such income may be subject to Special Contribution for Defence

Profits from the sale of securities  
(See note 1 on page 5)

**100% exempt**

Profits of a permanent establishment held outside the Republic of Cyprus (Subject to conditions) **100% exempt**

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Foreign exchange gains **100% exempt** assuming gains are not from the trading of foreign currencies and other related derivatives

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Rent received from a preserved building (subject to conditions) **100% exempt**

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Capital gain from the sale of intellectual property rights under the new IP regime **100% exempt**

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Income from the production of films, series and all other audio-visual businesses (subject to conditions) **The lower of 35% of eligible expenditure and 50% of taxable income.** Any restriction may be carried forward for 5 years

## **All expenses used wholly and exclusively for the production of income and for business purposes are deductible in the calculation of Corporation Tax.**

Such deductions include:

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### **Type of Expenses      Deductions from Corporation tax**

Interest imposed for the acquisition of assets that will be used for business purposes **100% deductible**

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Interest expenses for purchase of shares in a wholly owned subsidiary acquired after 01/01/2012 **100% deductible** as long as the **subsidiary does not hold any assets that are not used in the business.** If the subsidiary **does hold assets** that are **not used for business purposes**, then **deduction is allowable** up to percentage of assets that are used for the business

As of **01 January 2019**, an **interest limitation rule applies** in accordance with the **EU Anti-tax Avoidance Directive**.

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Notional Interest Deduction on new equity (See detailed analysis on page: 35)	Up to <b>80% of taxable profits</b> derived from new equity
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Donations to approved charities (with receipts)	<b>100% deductible</b>
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Employer's contributions for social insurance, General Health System, approved funds	<b>100% deductible</b>
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Employer's contributions for employees private medical fund	<b>1% on employees' remuneration</b>
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Employer's contributions for employees pension and provident funds	<b>10% on employees' remuneration</b>
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Expenditure incurred for the maintenance of a building under preservation (subject to conditions)	Up to <b>€1,200, €1,100</b> or <b>€700</b> per m2 (varies according to size of building)
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Royalty income and any other qualifying income resulting from qualifying intangible assets in the new Cyprus Intellectual Property (IP) box – (See page: 29)	<b>Up to 80% of the net profit</b> using the modified nexus approach
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Entertainment expenses for business purposes	Entertainment expenses up to <b>1% of total gross income</b> or <b>€17,086</b> (whichever amount is lower) is allowable as a deduction
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Wear and Tear allowances on assets held by the company and used for business purposes as per rates provided	See pages 18-19 for a detailed list of <b>wear and tear rates</b>
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Expenditure for scientific research and R&D (subject to conditions)	<b>100% exempt</b> (and for expenditure incurred in years 2022 – 2024, an additional 20% exemption) that will be <b>allocated over the</b>
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**lifetime of the asset.** The additional **20% cannot be claimed along with deduction provided under the Cyprus IP regime.**  
Expenses include those of capital nature

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Tax amortisation on any expenditure of capital nature for scientific research and R&D (subject to conditions)

**100% of expenditure deductible for expenses incurred in 2022-2024** and an **additional 20% deduction** that is allocated **over the lifetime of the asset** (maximum of 20 years)

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Expenditure on film infrastructure and technological equipment (subject to conditions)

**20% for small enterprises** and **10% for medium enterprises**

## **Below is a list of expenses that are not deductible when calculating corporation for a Cyprus tax company:**

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### **Type of Expense**

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### **Non-Deductible for Corporation tax**

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All expenses that are not incurred exclusively for the production of income and for business purposes

**100% non-deductible**

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Any expenditure that is not supported with sufficient credentials

**100% non-deductible**

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Private motor vehicle expenses

**100% non-deductible**

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Interest payable on the purchase of a private motor vehicle, irrespectively of whether this vehicle is used for business purposes or not

**100% non-deductible** for a period of **7 years** from the **purchase of the vehicle**

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Interest payable on the purchase of an asset that is not used for business purposes

**100% non-deductible** for a period of **7 years** from the **purchase of the asset**

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Any wages incurred during the year on which social insurance and other contributions were not paid on and are due

**100% non-deductible**

## Losses carried forward:

Tax losses incurred by a company during the year that cannot be off-set against any other income can be carried forward against future taxable profits for a period of 5 years.

## Group losses:

Current year loss in one company can be utilised to set-off taxable income of another group company, assuming both companies are under the same group and are tax residents for the entire tax year. Two companies are considered to be part of a group if one of the two conditions below is met:

- One Cyprus tax resident company holds directly or indirectly at least 75% of voting rights in the one Cyprus tax resident company; or,
- Both Cyprus tax resident companies are at least 75% held either directly or indirectly by a third company;

When a parent company incorporates another company during the tax year, then this company will be considered to be a member of the group for group relief purposes for that tax year.

A Cyprus tax company is entitled to the tax losses of a group company that is a tax resident in another EU country, assuming that the EU Company has exhausted all options available to utilise losses in their own country or in the country of any intermediary EU holding company.

## Losses of a foreign permanent establishment:

Losses arising from a foreign permanent establishment during a tax year can be offset against the profits of its head office in the Republic of Cyprus. In the future event that the foreign permanent establishment has taxable profits, the profits will be taxed up to the amount of losses previously offset.

### Capital Allowances Table:

Asset:	Capital Allowance %
<b>BUILDINGS</b>	
Hotel Buildings	4
Industrial Buildings	4
Agricultural Buildings	4
Commercial Buildings (maximum 33 years)	3
Industrial and hotel buildings acquired between 2012-2018	7
Wooden greenhouse structures	33 1/3
Metallic greenhouse structures	10
Flats	3
<b>PLANT AND MACHINERY</b>	
Machinery, plant and furniture	10
Furniture and fittings	10
Computer Hardware and Software	20
Application software: Up to €1,709	100
Over €1,709	33 1/3
Motor Vehicles and motorcycles – except Saloons	20

Tractors, excavators, trenches, cranes, bulldozers, fork lifts	25
New cargo ships, new airplanes and new helicopters	8
Plant and Machinery used in agriculture	15
Televisions and videos	10
Wind power generators and photovoltaic systems	10
<b>TOOLS</b>	
All tools	33 1/3
<b>INTANGIBLE ASSETS</b>	
Intangible assets with certain exceptions	5 – 100
<b>SHIPS</b>	
Sailing vessels	4.5
New commercial vessels	8
New passenger vessels	6
Steamships, tug-boats, fishing ships	6
Motor yachts	6

# Special Contribution for Defence

Special contribution for defence (SDC) is imposed on:

- Cyprus tax resident companies
- Cyprus tax resident and domiciled individuals

Special contribution for defence is imposed on the below sources of income.

## Type of Income

## Special Contribution for defence

Dividend income from both Cyprus and non-Cyprus tax resident companies	<b>17%</b> - See exemptions below
Passive interest income	<b>17%</b> (with effect as of 01 January 2024 -reduced from 30% to 17%)
Gross rental income reduced by 25%	<b>3%</b>
Interest received by an approved provident fund or by the social insurance fund	<b>3%</b>
Interest from savings certificates and development stocks issued by the government of Cyprus and interest on corporate bonds	<b>3%</b>

For Cyprus sourced interest and dividends, SDC is withheld at source and paid at the end of the month, following the month in which they were paid. For foreign sourced interest and dividends, defence is payable every 6 months, on 30 June and 31 December each year.

## **The following sources of income are exempt from Special Contribution for defence:**

- Interest income arising from the ordinary activities of the business. Such interest is taxed under personal income tax and corporation tax;
- Interest income received from a collective investment scheme;
- Dividends received directly or indirectly from dividends on which SDC has already been paid;
- Dividends received by a Cyprus resident company from another Cyprus resident company, subject to certain anti-avoidance provisions;
- Dividends received by a Cyprus resident company from a non-Cyprus resident company are exempt. Exemption does not apply if:
  - More than 50% of the business activities of the non-Cyprus resident company is investment income;
  - Foreign tax payable on the dividend income is significantly lower than the Cyprus tax burden. The tax authorities have issued a circular clarifying that significantly lower means an effective tax rate of less than 6.25% of profit distributed. Foreign tax can be credited against SDC liability;

An individual who has a total annual income up to €12,000, including interest, who has received interest that is subject to SDC, has the right to request for a refund of the SDC paid in excess of 3%.

On 13 September 2023, a circular was issued pursuant of which rental income from self-catering accommodation that is rented out through various different online platforms will be treated as business income (subject to conditions). When treated as business income this income will be exempt from SDC.

## Definition of domicile:

According to the provisions of the Wills and Succession Law, domicile can be obtained in two different ways:

1. Domicile by Origin – domicile given at birth, normally from the father's side
2. Domicile by Choice – an individual acquires domicile by forming a permanent residence and has the intention to reside in Cyprus permanently

The amendment has made a distinction between domiciled tax resident individuals and non-domiciled tax resident individuals.

Domiciled tax resident individuals will continue to be taxed the normal SDC tax rates as stated on page 20 on dividend, interest and rental income. Non-domiciled tax resident individuals will be fully exempt from SDC.

In accordance with the SDC law, a Cyprus Domicile individual who has received its status by origin/birth, is considered a non-domiciled if any of the below are conditions are met:

- Individual has retained a domicile of choice outside of Cyprus, provided that they were not tax residents in Cyprus for any period of at least 20 continuous years prior to the tax year in assessment;
- An individual has not been a Cyprus Tax Resident for at least 20 continuous years prior to the release of the amended SDC law;

It must be noted that when assessing whether an individual for a specific year is a domicile Cyprus tax resident or not, we need to consider the number of years this individual has been a Cyprus tax resident. If an individual has been a Cyprus tax resident for at least 17 out of the last 20 years prior to the tax year under review, then irrespectively from the individual's origin, this individual will be taxed as a Cyprus domiciled individual for SDC purposes. SDC will be payable from the 18th year of an individual's reside in Cyprus.

# Deemed Distribution

A Cyprus tax resident company is deemed to distribute 70% of its accounting profits in the form of dividends, within two years following the end of the tax year in which the accounting profits were generated in. Accounting profits are net of corporation tax, SDC, capital gains tax and other foreign taxes. Any actual payments of dividends made during the two year period are deducted from the amount of deemed dividends that need to be distributed. In the cases where actual dividend is paid after the deemed dividend distribution date, any deemed distribution will reduce the actual dividend on which SDC is payable.

SDC of 17% is paid on any deemed dividend distributions made, to the extent that the ultimate shareholders of the Cyprus tax company are Cyprus tax residents and domiciled individuals.

## **Disposals of assets to shareholders at less than market value**

In the event where a Cyprus tax company disposes an asset to its Cyprus tax resident and domiciled shareholder or his/her relatives up to second degree or his/her spouse, either without consideration or at a value that is lower than the market value of the asset that was disposed, then the difference between the market value and the amount of consideration at which the asset was actually disposed at, is deemed to have been distributed to the shareholder from the company. In the case that the shareholder or his/her relative up to second degree or his/her spouse presents an asset in the form of a gift to the company, then the above provisions do not apply.



## Reduction of Capital

In regards to reduction of a company's capital, any amount that was paid or due to the company's Cyprus tax resident and domiciled shareholder that is in excess of the initial paid-in equity, will be considered as dividend distributed and will be subject to SDC at 17%. The buy back or redemption of units or other ownership interests in an open-ended or closed-ended collective investment schemes is not considered a capital reductions and is not subject to SDC.

## Company Dissolution

The aggregated profits of the last five years' of a Cyprus Tax Company prior to its dissolution, which have not been distributed already, will be subject to SDC at a rate of 17% on dissolution. The difference between the market value and the original acquisition price of any assets that are allocated to the company's shareholders upon dissolution or liquidation, will be subject to deemed distribution provisions. If, during dissolution, the company does not have enough profits to repay its creditors, then no profits will be available to be distributed to its shareholders. This provision does not apply to the case of dissolution under a reorganisation.

# Shipping Companies

Cyprus holds an EU approved Tonnage Tax System (TTS) that was introduced back in 2010 under Merchant Shipping Law. On 16th of December 2019 the EU Commission has approved the continuation of Cyprus' tonnage tax scheme for the next ten years, up to 31 December 2029.

The regime covers qualifying persons, performing qualifying activities in relation to qualifying ships. Qualifying persons can be any ship-owner, charterer and ship manager. Qualifying activity for ship-owners and charterers is defined as transport of goods or passengers between Cyprus ports and foreign ports/offshore facilities or between foreign ports or offshore installations. While for ship-managers a qualifying activity is defined as the provision of technical and/or crewing services to a qualifying ship. A qualifying ship is defined as a seagoing vessel that is certified with international or national principles and regulations and that is registered in the ship register of any member of the International Maritime Organisation (IMO) or the International Labour Organisation (ILO) which is recognised by Cyprus.

In most cases, companies can select to be taxed on the basis of their net tonnage instead of being taxed on their actual profits from their maritime activities. See tonnage tax rates below:

Units of Net Tonnage	Ship-owners & Charterers €TT per 100 units	Ship-managers €TT per 400 Units
0-1,000	36.50	36.50
1,001 – 10,000	31.03	31.03
10,001 – 25,000	20.08	20.08
25,001 – 40,000	12.78	12.78
> 40,000	7.30	7.30

The above tonnage tax rates are reduced by 30% to reward owners of Cyprus and Community flagged vessels which use environmentally friendly equipment. Cyprus TTS includes three main maritime activities; ship ownership, ship management and ship chartering activities. Beneficiaries can be ship owners, ship charterers or ship managers that own, charter or manage a qualifying vessel that is involved in a qualifying shipping activity.

An analysis of the three main maritime activities is seen below:

## **Cyprus Tonnage Tax System- Ship Ownership:**

The TTS relates to any ship-owner of a qualifying vessel that carries out qualifying activities. This consists of the following:

- 1.** Cyprus Flag Vessels
- 2.** EU/EEA flag vessels that are owned by a Cyprus tax resident company and choose to be taxed under the TT regime (under conditions)
- 3.** Fleet of EU/EEA and non EU/EEA vessels that are owned by a Cyprus tax resident and choose to be taxed under the TT regime (under conditions)
- 4.** Owners of re-flagged ships

Owners of Cyprus flag vessels are automatically taxed under TTS and do not have the option to be taxed under Corporation tax. On the other hand, Cyprus tax resident ship owners of non-Cyprus flag vessels can select to be taxed under TTS regime following certain criteria.

If the ship-owner decides to follow through with the TT regime, the ship-owner must be a Cyprus tax resident and this option must continue for a minimum of 10 years unless they have a valid reason to exit.

Under TT regime, the qualifying ship owners are exempt from Income tax on the below:

- Profits from the use of a qualifying vessel
- Profits from the disposal of shares in a ship-owning company and the distribution of this profit
- Profits from the disposal of the qualifying ship
- Dividends paid out of the above referred to profits at all distribution levels
- Interest income received on funds used as working capital, or on income from shipping operations

## **Cyprus Tonnage Tax System – Ship Chartering**


All vessels (Cyprus/ EU/ EEA/ Fleet) chartered in qualifying shipping activity (bareboat, demise time, voyage charter) can choose to follow the TT regime, assuming that the charterer is a legal person Cyprus tax resident. As with the ship-owners, the TTS has to be followed for a minimum of 10 years and the option to register for TT must be exercised for all vessels

The below types of income is tax exempt for Ship Charterers:

- Profits from the use of a qualifying vessel
- Dividends paid out of the above profits at all distributions levels
- Interest income related to the working capital/qualifying activity as well as any interest on capital that was used for investments

## **Cyprus Tonnage Tax System – Ship managers**

A ship-manager is defined as a Cyprus tax resident legal person that offers technical/ crewing services on behalf of a qualifying vessel. The rates applicable to ship managers are 25% of the tonnage tax calculated on the net tonnage of the ship.



There are a few criteria that ship managers must match in order to have the option to be taxed under TTS. Criteria are listed below:

1. The ship manager must hold an independent office in Cyprus that employs a sufficient amount of workers, all with the appropriate experience and expertise
2. At a minimum, 51% of total onshore staff must be EU/EEA citizens
3. At a minimum 2/3 of total tonnage under management must be managed within the EU/EEA in any set fiscal year. Any excess of 1/3 will be taxed under corporation tax.

If the TT regime is elected, then similarly with ship ownership / charterers there is a minimum of 10 year duration, unless they have a valid reason to exit, such as disposal of their vessels or their activities ceased.

Tax exemptions for ship managers cover the following:

- Profits from technical/crew management
- Dividends paid out of the above referred to income, at all levels of distribution
- Interest income in relation to working capital/qualifying activity, as long as such income was used for business purposes. Interest income on capital that was used for investments is not included

All qualifying ships that belong in a group must follow TTS together. Tonnage tax is payable on 31 of March each year and is calculated by reference to the net tonnage of the qualifying ships under one's ownership, charter or management.

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## CYPRUS TAX FACTS 2024

# The Intellectual Property (IP) Tax Regime in Cyprus

Under the IP regime, 80% of qualifying profits generated from qualifying assets will be deemed to be tax deductible.

“Qualifying intangible asset” is defined as an asset which was acquired, developed or exploited by a person in furtherance of their business, (excluding intellectual property associated with marketing) and which is the result of research and development activities.

Such assets are:

- a.** Patents as defined in the Patents Law
- b.** Computer Software
- c.** Other IP assets that are legally protected and fall under one of the following categories:
  - utility models, intellectual property assets which provide protection to plants and genetic material, orphan drug designations and extensions of protections for patents;
  - non obvious, useful, and novel, where the person which utilizes them in furtherance of a business does not generate annual gross revenues exceeding Euro 7,500,000 (in case of a group of companies not exceeding Euro 50,000,000), which are certified as such by an Appropriate Authority in Cyprus or abroad;

## Qualifying intangible assets specifically exclude:

- a. Trademarks
- b. Business Names
- c. Brands
- d. Image Rights
- e. Other intellectual property rights used for the marketing of products and/or services

Qualifying profits are calculated based on the “nexus approach”. More specifically, the level of profits eligible for the 80% tax exemption will depend on the level of research and development expenditure carried out by the taxpayer to develop the qualifying asset. The qualifying profits are calculated based on the following fraction that captures this:

$$\text{QP: } \text{OI multiplied by } \frac{\text{QE+UE}}{\text{OE}}$$

Whereby:

**QP:** Qualifying Profit

**OI:** Overall Income – Gross income derived from qualifying intangible assets less any direct costs incurred for generating the income. Direct costs are all costs incurred wholly and exclusively for the generation of gross incomes

**QE:** Qualifying Expenditure – Total of all research and development costs incurred directly related to the qualifying asset

**UE:** Uplift Expenditure - Is added to the qualifying expenditure, which will be equal to the lower of 30% of QE or the total costs of acquiring the qualifying assets plus the cost of outsourcing to related parties any research and development

**OE:** Overall Expenditure – Is defined as the sum of the qualifying expenditure and the total cost of acquiring the qualifying asset plus the cost of outsourcing to related parties of any research and development costs outsourced to related parties incurred in any tax year

80% of the overall profit derived from the qualifying intangible asset is treated as deductible expense in the tax computation of the company. Capital allowances can be claimed on the cost of any qualifying intangible asset.

In the case of a resulting loss, only 20% of the loss can be surrendered to other group companies or be carried forward to subsequent years. Qualifying taxpayers that are eligible for the IP regime include Cyprus tax resident persons, permanent establishments (PEs) of non- resident person and foreign PEs that are subject to tax in Cyprus.



# Capital Gains Tax

Capital Gains Tax (CGT) in Cyprus is imposed at the flat rate of 20% on the following sources of income:

1. Gains from disposal of immovable property located in Cyprus;
2. Gains from disposal of shares of companies which own immovable property situated in the Republic and that are not listed on a recognised stock exchange;
3. Gains from disposal of shares of companies, which indirectly own immovable property located in the Republic and derive a minimum of 50% of their market value from this immovable property;

## Exemptions:

There are a series of exemptions when it comes to CGT. The following disposals of immovable property are exempt from any CGT:

- Gifts between spouses, parents, children or other relatives up to third degree;
- A transfer by reason of death;
- Gift to charities, the Republic, local authority for educational purposes or to a political party;
- Expropriations;
- Transfers under a qualifying loan restricting;
- Disposal of units in an AIF or UCITs whose establishments follow Cypriot laws and are listed on a recognised stock exchange;

- Exchange of properties where the values of the immovable properties being exchanged are equal;
- Disposal of property under Compulsory Acquisition Law;
- Gifts by a family company to its shareholders, as long as the property was acquired by the company in the form of a gift. In this case, the property must be kept for a minimum of three years;
- Gifts to a company where the shareholders are members of the donor's family and shareholders remain members of the family for five years following day of transfer;
- Any disposal of shares of a company that is listed on a recognised stock exchange;
- Transfer of ownership or share transfers as a result of company reorganisations;
- Exchange or disposal under the Agricultural Land (Consolidation) Laws;

## Life-time exemptions:

When determining whether a specific transaction is subject to Capital Gains Tax we must keep in mind that there are certain lifetime exemptions for individuals. Life-time exemptions will be deducted from the taxable capital gain.

Exemptions are listed below:

1. The first €17,086 taxable gain from the disposal of property situated in the Republic of Cyprus will be exempt;
2. The first €25,629 taxable gain from the disposal of agricultural land under the condition that the main occupation of the individual is agriculture will be exempt;
3. The first €85,430 taxable gain from the disposal of private residence used by the owner. This exemption is subject to conditions.

Exemptions can be based on a combination of the above; however they are subject to a lifetime maximum of €85,430.

## Calculation of CGT:

When calculating income from disposal of immovable property, the below are deducted from the proceeds received from the sale:

- 1.** The value of the immovable property as at 01/01/1980 or cost of acquisition if date is later, adjusted for inflation up to the date of disposal. The value adjusted for inflation is calculated using the official Retail Price Index;
- 2.** Expenses directly related to the acquisition or disposal of the immovable property e.g. transfer fees, interest costs on related loans, estate agent commissions, legal expenses etc.;
- 3.** Any additions made after 01/01/1980 or after the acquisition date, adjusted for inflation up to the date of disposal, on the basis of the consumer price index in Cyprus;

## Penalties:

Penalties and interest apply on late payment of CGT.

An administrative penalty of an amount between €100 and €200 (case by case) will be imposed for late submissions of declarations or late submissions of supporting documents when requested by the Commissioner.

# Deduction on New Equity (NID)


Deduction on New Equity (Article 9B), was introduced back in 2015. According to this article, all Cyprus tax resident companies and Cyprus permanent establishments of non-tax resident companies are allowed a notional interest deduction (NID) if they introduce new equity to their companies for the production of taxable income. This deduction is granted annually, for as long as the equity is used in the company.

## Formula used to calculated NID:

**NID** = New Equity \* NID Reference Interest Rate

**New Equity** is defined as any one of the below:

- Any paid-up share capital (ordinary, preference, redeemable, convertible) and/or share premium added after the 1st of January 2015;
- Loans payable converted into issued share capital;
- Shareholders' credit balance converted into issued share capital;
- Non-refundable capital contribution converted into issued share capital;
- Any realized reserves that existed before 01/01/2015, that were converted into issued share capital, will be qualified as new equity. Subject to conditions;



New equity can be injected into the company either in the form of cash or in kind. In the event that the new equity is in the form of an asset, the new equity must not be higher than the market value of the asset.

All the above forms of new equity must be used to generate taxable income.

**NID reference interest rate** is defined as the 10 year government bond yield, (as of 31 December of the previous tax year) of the country in which the new equity has been injected, increased by 5% premium. The Cyprus Tax Department annually publishes the 10-year government bond yields for a number of countries.

The following rules apply to the calculation of the above formula:

- 1.** NID must not exceed 80% of the company's/Permanent Establishments taxable income that was generated from the new equity. This taxable income is calculated before the application of NID;
- 2.** NID should be calculated each year since variables such as reference rates and taxable income will be different each year;
- 3.** This interest deduction is notional; therefore no accounting entry is accounted for and there is no effect on the company's accounting profit or loss

## CYPRUS TAX FACTS 2024

# Value Added Tax

VAT in Cyprus is imposed on the supply of goods and services in Cyprus, as well as the acquisition of goods from other EU countries and the importation of goods to Cyprus from third countries. See below table of VAT rates:

VAT Rates:	Applies to:
Standard Rate - <b>19%</b>	All goods and services in Cyprus that are not subject any of the other below rates or are not exempt
Reduced Rate – <b>9%</b>	<ul style="list-style-type: none"><li>● All restaurants and catering services</li><li>● Accommodation provided by hotels and other similar establishments such as tourist lodgements</li><li>● Transportation of passengers and their luggage by taxi and intercity buses</li><li>● Provision of services and supplies to nursing homes, which are not an exempt transaction</li></ul>
Reduced Rate – <b>5%</b>	<ul style="list-style-type: none"><li>● Supplies of food including drinks (excluding alcoholic beverages and soft drinks)</li><li>● Supply of catering services from schools</li><li>● Supply of pharmaceutical products and vaccines that are used for health care and medical or veterinary use</li><li>● Entry fees to amusement parks, circus, festivals, concerts, museums, sporting events, athletic centres</li><li>● Supply of hairdressing services</li></ul>

	<ul style="list-style-type: none"> <li>● Renovation and repairs to private residences (subject to conditions)</li> <li>● Composers and artists</li> <li>● Acquisition and construction of residence (See pages: 42-43 for details)</li> </ul>
<p>Zero Rate – <b>0%</b></p>	<ul style="list-style-type: none"> <li>● Ship management services</li> <li>● Exportation of goods</li> <li>● Supply, repair, maintenance and hiring of a vessels, used for navigation and carrying passengers</li> <li>● Supply, repair, maintenance and hiring of aircrafts used by airlines to operate for rewards usually on international routes</li> <li>● Transportation of passengers from Cyprus to an area outside Cyprus using a seagoing vessel or an aircraft</li> <li>● Supply of services to meet the needs of vessels and aircrafts</li> <li>● Supplies of gold to the Central Bank of Cyprus</li> </ul>
<p><b>Exempt items</b></p>	<ul style="list-style-type: none"> <li>● Supply of banking, financial and insurance services</li> <li>● Management services provided for mutual funds</li> <li>● Leasing of buildings used for residence</li> <li>● Postal services</li> <li>● Rents – subject to conditions</li> <li>● Supply of educational services – subject to conditions</li> <li>● Medical related services</li> <li>● Disposal of immovable property assuming application for building permission was submitted before 01 May 2004</li> </ul>

Reduced rate - **3%**  
(new provisions as of 21/06/2023)

- Lottery tickets and betting coupons
- Right of entry from first performance of theatrical performances of musical and dance works of classical works
- Waste collection and cleaning services
- Disposal and treatment of sewage
- Discharge of tanks and industrial tanks
- Audiobooks for disabled persons

Reduction from - **5% to 3%** (new provisions as of 21/06/2023)

- Delivery of books, newspapers and magazines
- Wheelchairs and other vehicles intended for disabled individuals
- Orthopaedic products and devices

Zero Rate - **0%** on basic goods up until 30/04/2024

- Bread
- Milk
- Eggs
- Baby food and diapers
- Feminine hygiene products
- Coffee and sugar
- Meat and vegetables that fall under specific codes (as of 17/11/2023 until 31/05/2024)

## Registration:

A company or an individual must register for VAT if they meet any of the below conditions:



- At the end of any month, value of taxable supplies in the last 12 months, has exceeded the threshold amount of €15,600 or at any given time, the taxable supplies are expected to exceed the threshold amount in the next 30 days;
- If a taxable person provides services of any value to another VAT registered person within the EU Member States;
- Is involved in the acquisition of goods from other EU Member States with a registration threshold amount of €10,250;
- Is established abroad and makes distance sales of goods to Cyprus which exceed the threshold of €10,000 and does not opt to make use of the simplified One Stop Shop Scheme;
- Is established in Cyprus and offers zero rated supplies of goods or services;
- Is established in Cyprus and offers cross border sales of goods and services to individuals established in other EU Member States with a value that exceeds the threshold of €10,000;
- Acquires a business on a going concern basis;

Any individual or company that is not established in Cyprus and engages or expects to engage in taxable activities in Cyprus in the course of their business, are obligated to register for VAT. No threshold exists for non-established individuals engaging in taxable activities. The non-established individual may request an exemption for VAT registration purposes in Cyprus from the Tax Commissioner on the basis that they are engaged only in activities which are subject to 0% VAT.

A business may decide to register for VAT even though its taxable income is below the registration threshold or their supplies are outside the scope of VAT, in order to recover input tax paid on purchases.

## VAT Returns and refunds:

Any registered person must submit their VAT return and pay the amount of VAT due to the Commissioner before or on the 10th day from the end of the month that is following the end of each VAT period. All taxable persons must submit their quarterly VAT returns online, via the Tax for All (TFA) platform. Claims for VAT refunds are also made electronically through TFA.

Refunds for excess input VAT can be claimed with interest if the refund is delayed by a period of four months from the date when the claim was made. If a VAT audit regarding the refund claim takes place, then the period of four months is extended to eight months. As of 20 August 2020, VAT refund applications cannot be submitted if a period of 6 years has passed from the end of the relevant tax period. In addition to this, VAT refunds will be suspended if the income tax return is not submitted by the submission date of the VAT refund claim.

## Intrastat registration:

A taxable person is liable to register for intrastat in 2024 if they meet one of the two below conditions:

- 1.** Purchases goods in Cyprus from other EU Member States for an amount that exceeds €230,000 – Must submit monthly intrastat arrivals forms;
- 2.** Ships goods from Cyprus to other EU Member States for an amount that exceeds €75,000 – Must submit monthly intrastat for dispatch forms;

Intrastat forms are submitted electronically to the Tax Department within 10 days from the end of the relevant month.

## Vies Registration:

A taxable individual engaging in intracommunity supply of goods or services to taxable individuals in other EU Member States must register with VIES. VIES reports are submitted on a monthly basis electronically.

## Penalties and interest

Late submission of VAT Return	<b>€100</b> penalty per VAT return
Late registration with VAT department	<b>€85</b> penalty for each month of delay
Late payment of outstanding VAT	<b>10%</b> penalty plus interest
Late submission of Intrastat forms	<b>€15</b> for each return
Late deregistration	<b>€85</b> one-off
Late submission of VIES return for supplies	<b>€50</b> for each statement. Omission to submit VIES return may lead to a criminal offence and a penalty of up to <b>€850</b>
Penalty for late submission of corrective VIES return	<b>€15</b> for each return
Failure to comply with Reverse Charge provisions as per Articles 11, 11A – 11E and 12 -	<b>€200</b> one-off penalty on each VAT return. Penalty is capped up to a limit of <b>€4,000</b>
Omission to keep books and records for 6 years	<b>€341</b>

### Irrecoverable VAT Input:

Input VAT cannot be recovered in the following circumstances:

- Purchase or hire of a saloon vehicle;
- Hospitality expenses and entertainment (except those relating to employees and directors)
- Purchases used for production of exempt supplies

## **VAT on Immovable Property:**

VAT at a rate of 19% is imposed on the lease of immovable property to a taxable individual that is carrying out taxable activities by at least 90%. The taxable individual does have the option to apply for the non-imposition of VAT, assuming terms and conditions are met. The option is irrevocable;

VAT at a rate of 19% is imposed on the sale of non-developed building land that is intended for the construction of one or more structures in the course of carrying out a business activity. No VAT will be imposed on the purchase or sale of land located in a livestock zone or any areas that are not intended for development (areas of environmental protection, archaeological and agricultural);

In regards to the long-term leasing of immovable property, which essentially is shifted to the lessee the risks and rewards of ownership of the property, this is considered as a supply of goods and not as a supply of services, therefore is subject to VAT at a rate of 19% (conditions apply). The imposition of VAT does not cover cases where the property is no longer considered as new and therefore not subject to VAT.

### **Reduced VAT rate of 5% on renovation and repairs of private residences:**

A reduced VAT rate of 5% is eligible on the renovation and repairs of all residential homes, assuming the residents have been in the home for a period that exceed 3 years. Reduced VAT rate is applicable on additions made to a private residential home as well, again assuming that three years have passed since first use as residence. In the case that the value of the materials (i.e. the physical products used such as tiles, cement, paints, bricks) used for the renovation are more than 50% of the total value of the amount charged (i.e. for products and labour), then the renovation cost will be split between standard VAT rate on the physical products and 5% on the labour.

### **Reduced VAT rate of 5% on acquisition/construction of residences:**

The reduced rate of 5% applies on the acquisition or construction of a residence by an eligible person that will be used as the primary and permanent place of residence for the next 10 years. Eligible persons are

defined as Cyprus residents, EU and Non-EU Member State residents, providing that the residence will be their primary one. A certified confirmation must be obtained from the Commissioner. On 08 June 2023 the House of Representatives passed the amending bill for the application of the reduced VAT rate of 5% on primary residence. The provisions passed become effective as of 16 June 2023. According to the new provisions, reduced VAT rate of 5% will apply only on the first 130sq meters of a primary residence, up to a value of €350,000, and as long as the total transaction value does not exceed €475,000 and total buildable area does not exceed 190 sq. meters. Any residence that exceeds 190 sq. meters of buildable area and/or has a total value of €475,000 and over will be subject to VAT at 19% on the total value;

Individuals with disabilities have certain exemptions in regards to the above provisions. Individuals with disabilities can apply for a reduced VAT rate of 5% to the first 130sq meters with no limitation to the total buildable property area;

For families with more than three children, for any additional children the total buildable area increases by 15 sq. meters (no change in thresholds of €375,000 and €475,000);

A transitional period was given under which the amendments of the VAT law would not apply to cases where urban planning permission had been obtained or an application for such permission was submitted before 31 October 2023. A duly completed application must also be submitted to the Competent Authority within a three year period from the date the new VAT provisions became effective. If a transaction falls under this transitional period, then a reduced VAT rate of 5% will apply to the first 200 sq. meters irrespective of total building area and total value of transaction.

According to the new provisions an individual can re-apply for 5% VAT for another property during the period of 10 years provided that:

1. Ceased using the residence as a primary place of residence before the expiration of 10 years;
2. The commissioner is notified within 30 days that property ceased to be used as primary residence;
3. The difference between that amount of VAT which resulted from the application of the reduced rate and the standard VAT rate assigned to the remaining period of 10 years that the property will not be used as primary residence is paid.

## Sale or transfer of a new building:

The sale or transfer of a new building is subject to VAT at a rate of 19% or 5%, depending on the purchaser. As of 11 November 2022, any sale or transfer of a building for the first time within a period of five years of its completion date is considered a new building.

In addition to this, any subsequent sale or transfer that is made within the first five year since completion date will be considered as a sale or transfer of a new building, assuming there was no use of the building by an unrelated person for a period of at least 2 years.

## Application of Reverse Charge for certain domestic acquisition of goods and services

Taxable persons that acquire the following goods and services for business purposes are obligated to account for VAT based on the reverse charge provisions as per articles below:

Domestic Reverse Charge	Article of the Law	Registration Threshold
Construction services, repair of maintenance of any civil engineering project	11B	€15,600
Supply of scrap metals	11C	€15,600
Disposal of immovable property and plots from a borrower to a lender f as part of the loan restructuring	11D	€15,600
Supply of certain electronic devices such as mobile phones, game consoles, tablets, laptops etc.	11E	€15,600
Supply of raw and semi-finished precious metals	11F	€15,600

For all the above transactions, the supplier must not charge the customer VAT on its invoice and include the VAT number of the customer on the invoice. The customer must also account for VAT based on reverse charge provisions.

## IOSS and OSS

As of 1 July 2021, EU VAT e-commerce package came into effect extending the Mini One Stop Shop (MOSS) into a One Stop Shop (OSS). VAT rules on cross-border B2C e-commerce activities have changed throughout the EU;

One Stop Shop (OSS) allows online sellers to register in one EU member state for the declaration and payment of VAT on all their distance sales of goods and cross-border supply of services to their customers within the EU. Existing thresholds for distance sales of goods within the EU were abolished and a new EU-wide harmonised threshold of €10,000 is introduced;

A new scheme, the Import One Stop Shop (IOSS) electronic portal, was also introduced to assist distance sales of low value goods imported (below €150) from third countries to simplify the declaration and VAT payment and not be subject to excess duties;

The low value import exemption from VAT of goods up to €22 has been abolished. All goods imported in Cyprus are now subject to VAT;

The supplier is responsible for the collection of VAT irrespective if there is indirect involvement in the transfer of goods;

Extension of MOSS to all B2C services and intra-EU B2C sales of goods (subject to threshold of €10,000);

Online marketplaces are liable to collect and pay VAT for B2C supplies of goods (when they invoice or responsibility for transfer of goods lies with them);



## CYPRUS TAX FACTS 2024

# Cyprus Trusts

A trust can be defined as a settlement between the settlor and the trustee, in which the settlor transfers to the trustee assets, for the purpose of managing in the benefit of the beneficiaries. Parties included in a Trust are listed below:

- **The Settlor:** the creator of the trust and the contributor that initially holds the property;
- **The Trustee:** the party that is responsible for managing the trust always in the benefit of its beneficiaries;
- **The Beneficiaries:** the parties for which the trust has been set-up for, that will benefit from it and have the rights in respect to the trust property;
- **The Protector:** the individual that is appointed by the settlor to protect the trust assets and supervise the Trustee. Appointment of the protector is optional

Setting up a Cyprus International Trust can be used for the purposes of managing wealth and asset protection. A trust assists in holding property for minors, ensure that all family members meet their future needs and can also be set-up to provide pensions to employees acting as a form of incentive to the staff. A trust can have an indefinite life.

Discretionary trusts can offer a confidentiality protection for its beneficiaries.



## CYPRUS TAX FACTS 2024

# Land Registry Fees

When transferring land or buildings in Cyprus, land registry fees are paid by the transferee to the Department of Land and Surveys. Fees are based on the market value of the property.

Land registry fees are payable at the following rates:

Market Value of Property €	Rate %	Land registry fees €	Cumulative fees €
0 – 85,000	3	2,550	2,550
85,001 – 170,000	5	4,250	6,800
Over 170,000	8	-	-

Land transfer fees are reduced to 50% for purchases of property that is not subject to VAT;

Exemptions from transfer fees:

- Transfer is made under a qualifying reorganisation or loan restructuring;
- Transfers that are subject to VAT;
- Certain debt-for-asset swap arrangements may be exempted under conditions;
- Under the event of bankruptcy, liquidation, disposal of mortgaged immovable property by the lender where the sale proceeds do not exceed the amount of €350.000 per owner;

For mortgages, registration fees are 1% of the current market value;

In the cases of free transfers of property, transfer fees are calculated on the value of the property as listed below. Value refers to values as of 01 January 2013.

- From parent to children – NIL
- Between spouses and third degree relatives – 0.01%
- To trustees - €50

## **Contribution to the Central Agency for the equal distribution of Burdens**

As of 22 February 2021, a contribution of 0.4% of the sale proceeds is required to be paid from a seller that transfers immovable property located in the Republic of Cyprus. A similar contribution is also payable when transferring shares in a company that is not listed in a recognised Stock Exchange and that holds immovable property in Cyprus either directly or indirectly, assuming the buyer acquires control of the company.

With a direct disposal of immovable property, levy will be imposed on the disposal consideration, while in cases involving the disposal of company shares; levy is imposed on the latest general valuation that was carried out by the Department of Lands and Surveys.

The obligation for payment of this levy is in the hands of the seller.

Exemptions:

- Qualifying reorganisations as defined in the Income Tax Law
- Shares listed on a recognised stock exchange
- Debt for asset swaps

## **Immovable Property Tax:**

As of 2017, immovable property tax has been abolished.

## **Stamp Duties:**

See below a detailed table in regards to the rates of duty payable according to type of document that is executed in Cyprus:

Type of document	Rate / %
Receipts for sums over €4	7 Cents
Cheques	5 Cents
Letters of credit	€2
Letters of guarantee	€4
Bills of exchange	€1
Bills of lading	€4
General power of attorney	€6
Special power of attorney	€2
Certified copies of agreements and documents	€2
Will	€18
Issue of tax residency from Tax Department	€80
Contracts without fixed amount	€35
Contracts with a fixed amount:	
• The first €5,000	0%
• Between €5,001- €170,000	0.15%
• Above €170,000	0.2% (Maximum duty €20,000)

Documents relating to approved company reorganisations and or loan restructurings are exempt from Stamp Duty. Also, documents that relate to assets or business affairs that are situated outside the Republic of Cyprus are exempt from Stamp Duty as well.

## CYPRUS TAX FACTS 2024

# Social Insurance and Other Contributions

Social insurance and other contributions to approved funds are imposed on gross emoluments on the below rates. Social insurance rates seen below apply as from 01 January 2024 and for the next five years.

<b>Social Insurance contribution rates:</b>	<b>%</b>
Self-employed individuals	16.6
Employee	8.8
Employer	8.8

<b>Other contribution rates for employers</b>	<b>%</b>
Redundancy fund	1.2
Industrial fund	0.5
Social cohesion fund	2
Holiday fund (If not exempt)	8

The above rates, excluding social cohesion fund that has no restrictions, are applicable on employee's gross emoluments subject to the following maximum limits for the year 2024.

	<b>Per week €</b>	<b>Per month €</b>	<b>Per annum €</b>
Weekly employees	1,209	-	62,868
Monthly employees	-	5,239	62,868

Contributions due by the employer must be paid by the end of the month following the month in which the contributions correspond to. Charges will be imposed for late payments.

### Limits for self-employed individuals:

	Lower weekly limit €	Upper Weekly Limit €
Self-employed individuals	Depends on occupational category	1,209

### General Health System (GHS):

As of the 1st of March 2019, Cyprus introduced a general health system aiming to provide healthcare to Cyprus residents. See below table for the current contributions:

Contributors:	Rates
Employees on their emoluments	2.65%
Employers on their employees emoluments	2.90%
Republic of Cyprus or Physical/Legal person responsible for the remuneration of persons holding an office	2.90%
Self-employed individuals on own income	4.00%
Pensioners	2.65%
Emoluments on individuals who hold office	2.65%
Individuals rental, dividend, interest and other income	2.65%
Republic of Cyprus consolidated fund	4.70%

For employees, employers, self-employed and pensioners, emoluments on which GHS contributions are paid on, are capped to a maximum of €180,000 per year. Each employer is responsible for the payment of both, their own and their employee's contributions, through Social Insurance Services.

An employer or a self-employed individual that fails to pay contributions within the appropriate time frame is subject to additional charges in the range of 3% - 27% (depending on the delay period) on the amount of contributions due.





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## CYPRUS TAX FACTS 2024

# Annual Government Levy:

Annual government levy is paid by all Cyprus resident companies at an annual fee of €350.

- Annual levy is payable on 30 June each year;
- If companies are part of a group, then annual government levy is capped at €20,000 for the total group of companies;
- Annual government levy is paid from the year of incorporation of a company;
- Non-payment of annual government levy within a year from the date on which it is due, may lead to a deregistration of the company by the Cyprus Registrar of Companies;
- A penalty of 10% will be imposed if payment is made within 2 months of the due date. An additional penalty of 30% will be imposed in payment delays between 2 and 5 months of the due date;
- If a company is re-instated within a period of two years from its strike-off, a fixed penalty of €500 is imposed, in addition to the outstanding amount of levy that needs to be paid. The fixed penalty will be increased to €750 if a company is re-instated after the two-year period.

## Professional Licence Fee:

On 13 October 2020, the Executive Committee of the Union of Cyprus Municipalities introduced the adoption of a uniform policy for annual professional licence fees that will be imposed on legal entities that carry out businesses within each municipality limits. Fees are split according to under which of the below categories the legal entity is classified in:

Category of legal entity	Annual Professional Licence Fee
Active legal entities that are part of a group of companies	€150
Active legal entities that are not part of a group of companies	€250
Dormant legal entities	Not Applicable

A dormant legal entity must submit specific requested information to their relevant municipality to be exempt from professional licence fee.

Exemptions on professional licence fees are provided to any legal entities that are under compulsory or voluntarily liquidation or under strike-off procedure.

## Registration Fees/ Capital Duty

**Authorised share capital** – A flat duty of €105 is payable upon incorporation.

**Issued share capital** – If shares are issued at a premium, a flat duty of €20 is imposed. Capital duty is not payable if shares are issued at nominal value.

**Register of Beneficial Owners** – As of 14 November 2023, the electronic system for the Register of Beneficial Owners was implemented. This registry requires all companies that are under Companies Law, Cap.113, all partnerships and all European companies or their officers/partners to submit



information in regards to their beneficial owner. Details are listed below:

- Every year during the month of December all entities are required to verify information that is already recorded in the registry. This verification is mandatory irrespective of whether there were any changes recorded during the year or not;
- Any changes to the information recorded in the register must be updates within 14 days from the date the entity or its officers/ partners became aware of the change;
- In the event of non-compliance, irrespective of any individual criminal liability, the entity will be imposed with a €200 fine. In addition to this fine a daily penalty of €100 may also be imposed for non-compliance, with a maximum of €20,000. An officer of a corporate or legal entity may be exempt from the above mentioned fines assuming they have exercised their due diligence and the violation is not due to any of their own actions, negligence or omissions.

Current deadline for submission/resubmission of UBO details is 31st of March 2024.

# Transfer Pricing

On 30 June 2022, the Cyprus Parliament approved a new law that introduced details regarding the document requirements on transfer pricing. Law and regulations voted are aligned with the OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations. As of 01 January 2022 transfer pricing requirements have been introduced.

## **To whom do the new rules apply?**

The rules apply to transactions between related parties (legal parties and individuals), to Cypriot tax resident persons and to PE of non-tax resident entities for certain transactions with related parties.

## **For what types of transactions:**

- Sale and purchase of goods;
- Provision and receipt of services;
- IP transactions;
- Financial services;

## **Definition of related party under updated article:**

The introduction of a 25% threshold was established. According to this new threshold, a company is connected to another company if:

The same person holds, directly or indirectly, 25% of the voting rights or share capital or has rights to at least 25% of the profits of both companies;

If the same person and persons connected with that person holds, directly or indirectly, at least 25% of voting rights or share capital or is entitled to at least 25% share of the income of both companies;

If a group of two or more persons hold, directly or indirectly, at least 25% of the voting rights or share capital or is entitled to at least 25% share of the income of each company and the groups either consists of the same persons or could be regarded as consisting of the same persons by treating a member of either group as replaced by a person with whom that person is connected;

A company is connected with another person if the person holds, directly or indirectly, at least 25% of voting rights or share capital or is entitled to at least 25% share of the company's income.

## **Main requirements of the new transfer pricing framework:**

A documentation file must be prepared on intragroup transactions that are performed between Cyprus resident companies and permanent establishments of foreign companies in Cyprus. The documentation file consists of the master file and the local file. The documentation file must be maintained in Cyprus for a period of 6 years and should be provided to the Income Tax authorities within 60 days from the date that a request has been received by the company. The documentation file must also be updated annually. Details are listed below:

- **Master file**

Includes information such as overview of the global group business, the transfer pricing policies used, profit drivers and organisational structure. The master file should be prepared by the corresponding due date of the corporation income tax return of the respective tax year. The Master File applies to all companies that are ultimate or surrogate parent entities of multinational groups with annual consolidated turnover of over €750 million for Country-to-Country Reporting purposes. All other persons are exempt from this obligation;

- **Local file**

The Local File Includes financial information on specific transactions, a comparability analysis, and details regarding the selection and application of the transfer pricing method used. The local file is subject to a Quality Assurance Review by an individual that holds a practicing

certificate of ICPAC or any other recognised institute of certified accountants in Cyprus. The local file must be prepared by all taxpayers that are involved in controlled transactions by the corresponding due date of the corporation income tax return. Further to the announcement made from the Cyprus Tax Authorities on 1 February 2024, the materiality threshold for the tax year 2022 for the preparation of a Cyprus Local File has been increased as to the below:

€5.000.000 for related party transactions in the category of financing transactions.

€1.000.000 for the rest categories of related party transactions (trade of goods/services/intellectual property/other).

- TSI – Table of summarised information:

This table includes details regarding intercompany transactions (details of counterparties, figures per transaction category), the business profile, the transfer pricing method used and overall information about the group. Table must be prepared and submitted to the Cyprus Tax Department by all taxpayers that are involved in controlled transactions by the corresponding due date of the corporation income tax return for a specific tax year. For the financial year 2022 the table must be filed by 31 March 2024;

## Penalties:

Penalty for non-submission of the table of summarised information by the appropriate deadline as stated by regulations is €500;

Transfer pricing documentation file is to be submitted to the tax authorities upon request within 60 days. If the file is submitted after the 60 day period then the below penalties are imposed:

- Submitted between days 61 – 90, penalty is €5,000
- Submitted between days 91 – 120, penalty is €10,000
- Submitted after 120 days, penalty is €20,000

## Advanced Pricing Agreement (APA):

Advanced pricing agreement was also introduced as from 01 January 2022 to provide the opportunity for taxpayers to apply for an APA for transactions with their related parties.

According to the APA, a taxpayer can apply to the Tax Commissioner

for pre-approval of their selected transfer pricing methodology, of their assumptions and of the pricing of specific existing cross border transactions with related parties.

The Tax Commissioner must reply with a decision within a period of 10 months from the date of submission of the APA. APA is valid for a maximum period of four years from the date of application.

The main advantage behind APA is for taxpayers to obtain some level of confidence in regards to how the law will apply to their transaction.

## **Anti-Tax Avoidance Provisions:**

In April 2019, the Cyprus law introduced measures against tax avoidance methods that negatively affect the internal markets functioning. These measures are known as Anti-Tax Avoidance Directives – ATAD. See below the four directives that were established:

### **1. Interest Limitation Rule:**

This directive was introduced with an intention to prevent group companies from providing finance from their subsidiaries in low jurisdiction countries to companies that are based in high jurisdiction countries. As per this rule, any exceeding borrowing costs (EBC) will be deducted in the tax year in which incurred, only up to 30% of the taxable earnings before interest, tax, depreciation and additions (EBITDA). EBC is defined as net interest expense. Losses brought forward are not taken into account when calculating taxable earnings.

When a company is part of a Cyprus group, then the interest limitation rules will apply on the group as a whole, including permanent establishments in Cyprus. While if a company is not a member of a Cyprus group, then the rules will apply on the company itself.

Law states that any exceeding borrowing costs that exceed €3,000,000 per tax year are not subject to limitation.

There are exceptions in regards to the interest limitation rule. Exemptions are listed below:

- Standalone companies (companies with no associates, not members of a group, no permanent establishments);
- Financial Undertakings (banks, investment funds, pension funds etc.);

- Loans that were used to fund long-term public infrastructure projects
- To companies with exceeding borrowing costs below €3,000,000

## **2. Controlled Foreign Company (CFC) rule:**

Income from subsidiaries or a permanent establishment, that are normally not subject or are exempt from Cyprus tax, may be taxed in Cyprus if conditions of the CFC rule are met. If conditions are met and income arises from non-genuine arrangements, then such income from low-taxed controlled foreign company is transferred to its controlled parent company. Any tax that has been paid in another country on the income from the controlled foreign company or from the permanent establishment will be credited against the tax payable in Cyprus.

## **3. General Anti-Abuse rule:**

This rule has been imposed to ensure that when calculating tax liabilities of a company, an arrangement or a series of arrangements that have been performed that are non-genuine should be ignored. Non-genuine arrangements are defined as any arrangement that takes place that has no economic or commercial purpose.

## **4. Exit Taxation:**

When a Cyprus tax resident company or a non-Cyprus tax resident company that holds a permanent establishment in Cyprus moves assets either from their head office to a permanent establishment in another Member State or a third country or vice versa, or moves its tax residence to another Member State or a third country, then this company will in certain cases be subject to exit taxation. If this is the case, then the company will be taxed on the market value of the transferred assets at exit time, less their value for tax purposes. In certain circumstances the taxpayer has the option to defer exit tax payment and pay it in instalments over a 5 year period.

## **5. Hybrid Mismatches:**

Purpose of this rule is to ensure that deductions and credits only take place in one jurisdiction and there are no situations in which deductions of a payment are made in one jurisdiction without this income being taxed in the other jurisdiction.

# Mandatory Disclosure Rules – (DAC6/MDR, DAC7)

On 18 March 2021, provisions of the EU Council Directive 2018/822, “DAC6”, were altered into domestic legislation. Cyprus law in regards to DAC6 is generally in line with the Directive with minor differences. Main focus is to ensure transparency under direct tax while at the same time battling tax avoidance and tax evasion in the EU.

## Key Features of the Directive:

Under the Directive, intermediaries have the primary obligation to report arrangements to the tax authorities in the country in which they are resident. The latter will then automatically share the information with the Tax Authorities of all other member states on a quarterly basis. The Directive gives Member States the option to exempt intermediaries from the obligation to report where the reporting obligation would breach legal professional privilege (LPP). If there are no intermediaries who can report, the obligation will shift to the taxpayers.

## What is a Reportable Cross- Border Arrangement (RCBA):

A RCBA refers to an arrangement, or a series of arrangements, concerning either more than one member state, or a member state and a third country. A cross border arrangement that is considered reportable is when the arrangement meets certain criteria which may indicate that aggressive tax planning has taken place.

## Intermediaries:

Under DAC6, “intermediaries” are subject to reporting. An intermediary is any person who:

- designs, markets, organizes or makes available for implementation or manages the implementation of RCBA
- provides, directly or by means of other persons, aid, assistance or advice with respect to designing, marketing, organizing, making available for implementation or managing the implementation of RCBA

Such persons may include tax advisors, accountants, auditors, banks, lawyers, administrative services providers, or any other professionals who undertake any of the above acts. The law provides exceptions to intermediaries and taxpayers for reporting if there is sufficient evidence that the other intermediary/relevant taxpayer already reported the same information. Exemption from reporting is also provided for intermediaries covered under legal professional privilege and in the case where the reportable cross-border was arranged in-house.

## Reportable Arrangements:

Under the Directive, an arrangement is reportable if the arrangement or a series of arrangements meet the definition of a cross-border arrangement or the arrangement meets at least one of the hallmarks A-E of the Directive. The hallmarks can be distinguished into two different categories; hallmarks which are subject to the main benefit test (MBT), and those which by themselves trigger a reporting obligation without being subject to the MBT.

## Hallmarks and Main benefit test (MBT):

In accordance with DAC6, under the Bill, the MBT will be satisfied if it can be established that “the main benefit or one of the main benefits which a person may reasonably expect to derive from an arrangement, is obtaining a tax advantage.”



Hallmarks are categorised from A to E as follows:

- **Hallmark category “A”:** arrangements whose tax benefits are subject to confidentiality arrangements, that give rise to performance fees or mass marketed schemes;
- **Hallmark category “B”:** arrangements such as the contrived acquisition of loss-making companies, the conversion of income into capital or other forms of income, or so-called circular transactions;
- **Hallmark category “C”:** arrangements that give rise to tax deductions without a corresponding amount of taxable income, to certain double reliefs or deductions, or other mismatches;
- **Hallmark category “D”:** arrangements that have the effect of undermining the CRS or the rules on identification of beneficial ownership;
- **Hallmark category “E”:** arrangements concerning transfer pricing, transfer of hard-to-value intangibles and cross-border transfer of significant functions, risks/rewards.

## Reporting deadlines:

Deadline for reporting by primary intermediaries and taxpayers are within 30 days from:

- The day after the reportable cross-border arrangement is ready for implementation
- When the first step of implementation has taken place

Deadline for reporting by secondary intermediaries is within 30 days from the day they have provided aid, advice or assistance in regards to the reportable arrangement.

Penalties between the ranges of €1,000 - €20,000 depending on the offense will be imposed in the following circumstances:

- Non-reporting or delayed reporting
- Filing of inaccurate, misleading or incomplete information

- Delay or failure to notify other intermediaries or the taxpayer
- Failure to provide any information that may be requested by the Tax Department

## **DAC7 – Reporting obligation for Digital Platform Operators**

DAC7 refers to reporting obligations for EU and non-EU Digital Platform Operators (DPOs) that bring together “Reportable Sellers” to buyers. DAC7 covers the intermediation services provided by DPOs and does not apply to e-shops where sellers own their services or products. DPOs can choose to register in only one Member State and the main intention is to enhance transparency and ensure fair taxation in digital economy.

A reportable seller is defined as a platform user, either an entity or an individual, that carries out a relevant activity and is an EU Member State resident or rents immovable property located in an EU Member State.

Relevant activity is defined as any activity, cross-border or domestic, carried out for a consideration that is either:

- Rental of immovable property (holiday, commercial, residential) as well as other immovable property and parking spaces;
- Sale of goods (new or used, B2B, B2C);
- Rental of any method of transport;
- Personal services (time or task-based) carried out either online or offline after being facilitated via a platform;

Platforms are required to obtain and verify both identification and financial details and information from sellers. Platforms should also follow their due diligence and report information in a timely manner while ensuring that they comply with tax regulations.

### **Exemptions:**

Platform used for redirecting users elsewhere

Platforms allowing users the processing of payments in relation to the relevant activity

Platforms that allow users to list and advise their relevant activity

Entities outside the scope of DAC7 are government entities, listed entities.

## Deadlines:

Information must be reported by 31 January of the year following the calendar year under which the seller was identified as a reportable Seller. First information reported will be for 2023 and reporting date will be 31st January 2024.

Penalties for non-compliance depend on the type of infringement. Maximum amount of penalty is €20,000 per arrangement.

## Penalties:

<b>Breach</b>	<b>Penalty (one-off fine per arrangement)</b>
Failure to report a RCBA	<b>€10,000-€20,000</b>
Delay in reporting a RCBA	Up to 90 calendar days: <b>€1,000-€5,000</b> More than 90 calendar days: <b>€5,000-€20,000</b>
Submission of incomplete or misleading information for a RCBA	<b>€1,000 - €10,000</b>
Failure to submit information and documents for an arrangement within 14 days from date of obtaining relevant notice by the CTD's	<b>€1,000 - €10,000</b>
Failure to pay administrative fines imposed or continuation of the breach	Increase of imposed fine up to <b>€20,000</b>

# Maintenance of Accounting Books and Records

Individuals, companies and partnerships that receive income either from their businesses, dividends, interests, goodwill etc., are obligated to:

- Maintain accounting books and records and ensure that they are up to date. Records should be updated within a period of four months from the date that the transaction took place, otherwise a penalty of €100 per quarter will be imposed;
- Arrange preparation of financial statements that follow proper audit standards by a qualified auditor;
- Issue invoices and receipts as regulations require. Such invoices must be issued within a 30 day period from the date of transaction. In cases where invoices are not issued within the deadline, a penalty of €100 per month will be imposed;
- Ensure accounting books and records are kept for a period of at least six years

## Changes to audit requirements in Cyprus for SMEs:

As of 01 January 2023 if a Cyprus company meets the below listed thresholds, then this company will be able to submit financial statements with a limited assurance review, instead of a full audit.

If a Cyprus company meets the below listed thresholds, then this company will be able to submit financial statements with a limited assurance review, instead of a full audit.

## Thresholds for Companies:

- Net turnover does not exceed €200,000. Turnover refers to all sources of income with no exceptions and;
- Total value of assets does not exceed €500,000

The above thresholds must be met for at least two consecutive years.

## Thresholds for Individuals:

- Turnover exceeds €70,000 but does not exceed €200,000; and
- Total value of assets do not exceed €500,000

For individuals with a turnover that does not exceed €70,000, they are exempt from the obligation to maintain accounting books and records and preparing audited financial statements.

The same as for companies, the above thresholds for individuals must be met for at least two consecutive years.

If the above thresholds are exceeded, then a full audit must be prepared.

## Exceptions:

There are a few exceptions for companies that even if they do not meet the above threshold, a full audit will need to be prepared. For the below companies, the amendments do not apply. Exemptions are listed below:

- Parent companies that are required to prepare consolidated financial statements;

- Companies regulated and supervised by the Central Bank of Cyprus, the Cyprus Securities and Exchange Commission and the Commissioner of Insurance or companies that hold a qualifying participation in such companies.

It is important to note that assurance review must be prepared by a statutory auditor or an audit firm as per Auditors Law 2017.

The amendments will be in force from 01 January 2023 for financial statements with a date ending on 31 December 2022 and after.

## CYPRUS TAX FACTS 2024

# Tax Calendar 2024

Date	Obligation	Form
At the end of each month	Payment of PAYE deducted from employees' salaries for the previous month	TD61
	Payment of tax withheld on payments made to non-Cyprus tax residents during the previous month	TD11
	Payment of SDC (and GHS contributions if payment is made to a Cyprus tax resident individual) withheld on dividends, interest or rent paid in the previous month to Cyprus tax residents	TD603 TD602
31 January	Submission of deemed distribution declaration of profits for 2021 and payment of SDC and GHS contributions	TD 603/623
31 March	Electronic submission of income tax for tax year 2022 for companies and individuals preparing audited financial statements	TD4, TD1
30 April	First instalment of 2024 for payment of premium tax for life insurance companies	TD199
31 May	Electronic submission of total 2023 payroll by employers	TD7
30 June	Payment of SDC and GHS for the first 6 months of 2024 on rents (if not withheld at source by tenant) and on dividends/interest from sources outside of Cyprus	Through tax portal - codes 604, 612, 613

	<p>Payment of annual government fee of €350 to Registrar of Companies</p> <hr/> <p>Payment of SDC (and GHS contributions if payment is made to Cyprus tax resident individual) withheld on rent* paid for the first 6 months of 2024</p> <p>*If the tenant is a Cyprus company, partnership or the government, there is an obligation to withhold SDC on the amount of the rent paid</p>	<p>TD614 (payment code 614)</p>
31 July	<p>Electronic submission and payment of first instalment of 2024 provisional income tax</p> <hr/> <p>Electronic submission of 2023 personal income tax returns by individuals and payment of tax liability</p>	<p>Through tax portal - codes 200 and 213 (self-employed individuals)</p> <p>TD1</p>
1 August	<p>Payment of 2023 income tax through self-assessment by companies and individuals that submit audited accounts</p>	<p>Through tax portal - code 300</p>
31 August	<p>Second instalment of 2024 for payment of premium tax for life insurance companies</p>	<p>TD199</p>
31 December	<p>Submission of revised Temporary tax assessment for 2024, if necessary, and payment of second instalment of provisional tax</p> <hr/> <p>Payment of Special Defence Contribution and GHS for the second half of the year on rental income (if not withheld at source by tenant) and dividend/ interest income from sources outside of Cyprus</p>	<p>Through tax portal for downward or upward revision</p> <p>Through tax portal – Codes 604, 612, 613</p>



	<p>Third and final instalment of 2024 for payment of premium tax for life insurance companies</p>	TD199
	<p>Payment of SDC (and GHS contributions if payment is made to Cyprus tax resident individual) withheld on rent paid for the last 6 months of 2024</p>	TD614 (payment code 614)

## Penalties on the above deadlines:

- A penalty of 10% is payable on the difference between the actual tax due on final assessment and tax declared on temporary tax forms submitted, if the temporary tax is less than 75% of taxable income on final assessment;
- €100 or €200 penalty is imposed (depending on the case) for the late submission of tax return or late submission of supporting documents requested by the Commissioner;
- 5% tax on the amount due is imposed if tax is not settled within 30 days of the payment date. An additional 5% is imposed if tax remains unpaid two months after the payment date;
- €100 penalty for late registration with tax authorities. A company must register and obtain a TIC within 60 days of incorporation;

**Public interest rate:** Interest rate on late payment of taxes on a completed month basis that has been set through a Decree for the year 2024 is **5%**

## CYPRUS TAX FACTS 2024

# Cyprus Double Tax Treaties

The following is a summary of the withholding tax rates provided by the treaties for the avoidance of double taxation entered into by Cyprus:

### Paid from Cyprus

### Received in Cyprus

Countries	% Dividends	% Interest	% Royalties	% Dividends	% Interest	% Royalties
Andorra	0	0	0	0	0	0
Armenia (45)	0 (1)	5 (2)	5	0 (1)	5 (2)	5
Austria (45)	10	0	0	10	0	0
Bahrain (45)	0	0	0	0	0	0
Barbados (45)	0	0	0	0	0	0
Belarus	5 (4)	5	5	5 (4)	5	5
Belgium (45)	10 (5)	10 (6)	0	10 (5)	10 (6)	0
Bosnia (47)(45)	10	10	10	10	10	10
Bulgaria (45)	5 (7)	7 (8)	10	5 (7)	7 (8)	10 (51)
Canada (45)	15	15 (9)	10 (10)	15	15 (9)	10 (10)
China (45)	10	10	10	10	10	10
Croatia (55)(45)	5	5 (54)	5	5	5 (54)	5
Czech Republic (45)	0 (11)	0	10	0 (11)	0	10
Denmark (45)	0 (12)	0	0	0 (12)	0	0
Egypt	5 (13)	10	10	5 (13)	10	10
Estonia (45)	0	0	0	0	0	0
Ethiopia	5	5	5	5	5	5
Finland (45)	5 (14)	0	0	5 (14)	0	0
France (45)	10 (15)	10 (16)	0	10 (15)	10 (16)	0
Georgia (45)	0	0	0	0	0	0

Germany	5 (17)	0	0	5 (17)	0	0
Greece (45)	25	10	0 (18)	25	10	0 (18)
Guernsey (45)	0	0	0	0	0	0
Hungary (45)	5 (5)	10 (9)	0	5 (5)	10 (9)	0
Iceland (45)	5 (19)	0	5	5 (19)	0	5
India (45)	10	10 (9)	10	10	10 (9)	10
Iran	5 (7)	5	6	5 (7)	5	6
Ireland (45)	0	0	0 (18)	0	0	0 (18)
Italy (45)	0	10	0	15	10	0
Jersey (45)	0	0	0	0	0	0
Jordan	5 (19)	5 (48)	7	5 (19)	5 (48)	7
Kazakhstan	5 (20)	0 (21)	10	5 (20)	0 (21)	10
Kuwait	0	0	5	0	0	5
Latvia (45)	0 (23)	0 (23)	0 (24)	0 (23)	0 (23)	0 (24)
Lebanon	5	5 (6)	0	5	5 (6)	0
Lithuania (45)	0 (25)	0	5	0 (25)	0	5
Luxembourg	0 (26)	0	0	0 (26)	0	0
Malta (45)	15	10 (9)	10	0 (52)	10 (9)	10
Mauritius (45)	0	0	0	0	0	0
Moldova	5 (7)	5	5	5 (7)	5	5
Montenegro (50)	10	10	10	10	10	10
Moldova	5 (7)	5	5	5 (7)	5	5
Netherlands (49)	0 (53)	0	0	0 (53)	0	0
Norway (45)	0 (27)	0	0	0 (27)	0	0
Poland (45)	0 (28)	5 (9)	5	0 (28)	5 (9)	5
Portugal (45)	10	10	10	10	10	10
Qatar (45)	0	0	5	0	0	5
Romania (45)	10	10 (9)	5 (29)	10	10 (9)	5 (29)
Russia (30), (45)	15 (31)	15 (32)	0	15 (31)	15 (32)	0
San Marino (45)	0	0	0	0	0	0
Saudi Arabia (45)	0 (33)	0	5 (34)	0 (33)	0	5 (34)
Serbia (45) (50)	10	10	10	10	10	10
Seychelles (45)	0	0	5	0	0	5
Singapore (45)	0	10 (35)	10	0	10 (35)	10

Slovakia (45) (47)	10	10 (9)	5 (29)	10	10 (9)	5 (29)
Slovenia (45)	5	5 (2)	5	5	5 (2)	5
South Africa (45)	10 (36)	0	0	10 (36)	0	0
Spain (45)	0 (26)	0	0	0 (26)	0	0
Sweden (45)	5 (5)	10 (9)	0	5 (5)	10 (9)	0
Switzerland	0 (37)	0	0	0 (37)	0	0
Syria	0 (5)	10 (9)	15 (38)	0 (5)	10 (9)	15 (38)
Thailand	10	15 (39)	5 (40)	10	15 (39)	5 (40)
Ukraine (45)	5 (41)	5	5 (42)	5 (41)	5	5 (42)
United Arab Emirates (45)	0	0	0	0	0	0
United Kingdom	0 (43)	0	0	0 (43)	0	0
USA	0	10 (44)	0	5 (17)	10 (44)	0

According to Cyprus tax legislation, payments of interest, royalties and dividends granted for use outside of Cyprus, by Cyprus tax residents to non-Cyprus tax residents, are exempt from withholding tax in Cyprus.

As from 31/12/2023 the above stated payments will be subject to withholding tax in Cyprus at standard rates if they are made to any of the below:

1. Tax residents in jurisdictions that are included in the EU list of non-cooperative jurisdictions (“EU Blacklist”);
2. Registered in a jurisdiction that is included in the EU Blacklist and are not tax resident in any other jurisdiction that is not part of the EU Blacklist.

## Notes

1. 5% if the beneficial owner has invested less than €150,000 in the capital of the company;
2. 0% if paid to a local authority, Central Bank or Government;
3. Effective as of 01 January 2018;

4. 5% applies if investment is above €200,000. 10% applies if dividends are received by shareholder that holds at least 25% of the share capital. 15% in all other cases;
5. 15% if received by company that holds less than 25% of voting rights;
6. 0% if paid to the government of the other state, the National bank, a political subdivision, a local authority. 0% if interest income from deposits in financial institutions;
7. 5% if dividend is received by a company holding 25% or more of the share capital of the dividend paying company. 10% in all other cases;
8. 0% if paid to or is guaranteed by the Central Bank, statutory body or Government;
9. 0% if paid to the government of the other state;
10. 0% on musical, theatrical or any other artistic work with the exemption of films shown on TV;
11. 0% applies if received by a company that holds 10% directly of the capital of the dividend paying company for a period of more than 1 year. 5% applies in other cases;
12. 0% applies if received by a company (not a partnership) that holds at least 10% of share capital of the dividend paying company for a period more than 1 year. 0% if paid to the government of any of the two States. 0% if paid to a pension fund or a similar institution. 15% in all other cases;
13. 5% applies if beneficial owner is a company (not a partnership) which holds 20% of share capital of the company paying the dividends directly for a period of one year. This period must include the date of payment. 10% applies in all other cases;
14. 5% applies if recipient is a company that holds at least 10% voting rights in the dividend paying company. In all other cases, 15% applies;
15. 10% if received by a company that holds more than or equal to 10% of the share capital. In all other cases, 15% applies;
16. 0% applies if paid to the Government, a financial institution or a bank of the contracting State;
17. 5% applies if received by a company that holds more than or equal to 10% of share capital. In all other cases, 15% applies;
18. 5% applies only to film rights (except films shown on TV)
19. 5% applies if beneficial owner is an company (other than a partnership) that owns at least 10% of the capital of dividend paying company. In all other cases, 10% applies;

- 20.** 5% applies if shareholder is company which holds at least 10% of share capital of company distributing the dividends. In all other case, 15% applies;
- 21.** 0% applies if beneficial owner is the Government of the other State, local authority, the Central Bank or any other financial institution held by the Government. In all other case, 10% applies;
- 22.** 0% applies on artistic, literary, scientific work including films;
- 23.** 0% applies if beneficial owner is a company (not a partnership). In all other cases, 10% applies;
- 24.** 0% applies if beneficial owner is a company (not a partnership). In all other cases, 5% applies;
- 25.** 0% applies if beneficial owner is a company (not a partnership) that holds at least 10% of the share capital directly of the dividend paying company. In all other cases, 5% applies;
- 26.** 0% applies if dividend is received by a company (not a partnership) that holds at least 10% of the capital of the dividend paying company. In all other cases, 5% applies;
- 27.** 0% applies if beneficial owner is a company (not a partnership) that holds at least 10% of share capital directly of the dividend paying company. In all other cases, 15% applies;
- 28.** 0% applies if beneficial owner is a company (not a partnership) that holds at least 10% of the share capital directly of the dividend paying company for at least 2 years. In all other cases, 5% applies;
- 29.** 0% applies on artistic, literary or scientific research including films;
- 30.** A protocol was signed on the 08th of September 2020 amending the existing tax treaty between Cyprus and Russia effective 01st of January 2021;
- 31.** 5% applies if the beneficial owner of the dividend is the Central Bank, a regulated financial institution, an insurance company, a pension fund, the government or a local authority, or any company whose shares are listed on a registered stock exchange (subject to conditions). 15% in all other cases;
- 32.** 0% applies on interest payments if the beneficial owner is an insurance undertaking, a pension fund, the central bank, other banking institution, the government or a local authority. Also 0% withholding tax applies on interest earned on corporate bonds, government bonds and Eurobonds. 5% if the beneficial owner is a company whose shares are listed on a registered stock exchange provided that no less than 15% of the voting shares are in free float and which holds directly at least 15% of the dividend paying company throughout a period of 365 days, that includes the day of the dividend payment;

- 33.** 0% applies if the beneficial owner is a company that holds at least 25% (either directly or indirectly) of the share capital of the dividend paying company. In all other cases, 5% applies;
- 34.** 5% applies on royalties for use of industrial, commercial or scientific equipment. 8% applies in all other cases;
- 35.** 7% applies if paid a financial institution or a bank. 0% applies if paid to the government;
- 36.** 5% applies if dividend is received by a company that holds at least 10% of the share capital of the dividend paying company. In all other cases, 10% applies;
- 37.** 0% applies if the beneficial owner is either, a company (not a partnership) that holds directly at least 10% of the share capital of the dividend paying company for a period of at least 1 year, a pension fund or a similar institution, the government or a local authority. In all other cases, 15% applies;
- 38.** 10% on musical, artistic, literary work, films and TV royalties;
- 39.** 10% on interest received from any financial institution and on interest paid for commercial, industrial and scientific equipment;
- 40.** 10% on right to use commercial, industrial and scientific equipment and 15% for patents, trademarks, models, plans etc.;
- 41.** 5% applies if received by a company that holds at least 20% of the share capital of the dividend paying company and has invested in the company at least €100,000. In all other cases, 10% applies;
- 42.** 5% applies on royalty payments when it comes to any copyright or work with patents, trademarks etc. For all other cases, 10% applies;
- 43.** 15% applies on dividends from income that has derived from immovable property by certain investment vehicles;
- 44.** 0% applies if paid to the Government of the other State, to a financial institution or to a bank or in respect to debt obligations arising in connection with sale of property or the provision of services;
- 45.** On 01 May 2020, Cyprus entered into force a Covered Tax Agreement for the purpose of Multilateral Instrument. Cyprus has approved minimum standards of BEPS Action 6 (Purpose Covered Tax Agreement), Action 7 (Prevention of Treaty Abuse) and Action 14 (Making Dispute Resolution Mechanisms More Effective). Treaties are automatically amended to take account of these provisions.
- 46.** The treaty between the Republic of Cyprus and United Soviet Socialist Republic still applies;
- 47.** The treaty between the Republic of Cyprus and Socialist Federal Republic of Yugoslavia still applies;

- 48.** NIL if interest is derived and beneficially owned by the government, political subdivision, local authority or the National Bank of the other contracting State;
- 49.** Nil if interest is derived and owned by the government, political subdivision, local authority or National Bank of the other contracting State;
- 50.** The treaty between the Republic of Cyprus and the Socialist Federal Republic of Yugoslavia still applies;
- 51.** This rate does not apply where 25% or more of the capital of the Cypriot resident is owned directly or indirectly by the Bulgarian resident paying the royalties and the Cyprus Company pays less than the normal rate of tax;
- 52.** The treaty provides that the tax on the gross amount of the dividends shall not exceed that chargeable on the profits out of which the dividends are paid;
- 53.** NIL if beneficial owner is a company that directly holds at least 5% of capital of the company paying dividends, throughout a one year period that includes day of dividend payment or a recognised pension fund. 15% applies in all other cases;
- 54.** NIL if paid in connection with sale on credit of any industrial, scientific or commercial equipment or any merchandise by one enterprise to another or in relation to any form of loan granted by a bank;
- 55.** Treaty has not been signed yet, however is in force at date of publication;





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## ABOUT US

# The Oxford Management Team

The Oxford team draws together many years of practical experience in the area of International Tax Planning and “offshore business”.

This ensures the highest standard of quality in services and professionalism.

The head of this dynamic multilingual team is Mr. Athos Fouttis, an International Tax Consultant, author of articles in international publications and regular speaker at international tax and offshore seminars.

## Our offices provide the below listed services:



Corporate Tax  
Planning and Structuring



Company Formation  
and Licensing



Corporate  
services



Management and  
administration



Nominee  
services



Trust and  
trustee services



Re-domiciliation  
services



Substance  
solutions



Banking  
facilities



Legal  
services



Immigration  
services

# OXFORD

## OXFORD

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OXFORD BUSINESS CENTRE